United Nations A/63/201

General Assembly

Distr.: General
31 July 2008

Original: English

Sixty-third session
Item 57 of the provisional agenda*
Operational activities for development

Trends in contributions to operational activities for development of the United Nations system and measures to promote an adequate, predictable and expanding base of United Nations development assistance

Report of the Secretary-General**

Summary

As requested by the General Assembly in paragraph 30 of its resolution 62/208, the present report addresses the issues of expanding the development assistance base and promoting an upward trend in real contributions to operational activities of the United Nations development system, securing predictability and ensuring appropriate balance between core and non-core resources. The report provides an overview of recent trends and current status, analyses obstacles to improving the situation and presents follow-up actions taken or planned by the Secretary-General.

* A/63/150.

** The delay in the submission of the present report was due to extensive consultations with the organizations of the United Nations system.

08-44524 (E) 250808

Contents

		Paragraphs	*Page*
I.	Introduction	1–4	3
II.	Background	5–9	3
III.	Measures to promote an adequate, predictable and expanding base of United Nations development assistance and to promote the continuation of the upward trend in real contributions	10–68	5
	A. Development assistance base of the United Nations system	10–42	5
	B. Predictability and multi-year pledging	43–53	13
	C. Balance between core and non-core contributions	54–68	15
IV.	Conclusion	69–72	19

Boxes

1.	Good Humanitarian Donorship initiative	10
2.	The United Nations Environment Programme voluntary indicative scale of contributions	18

I. Introduction

1. In its resolutions on the triennial comprehensive policy review, the General Assembly has frequently expressed the need to provide the United Nations system with adequate and timely resources to enable it to carry out its mandates. In paragraph 29 of its most recent resolution, resolution 62/208, the Assembly requested the Secretary-General to undertake, in full consultation with Member States, measures: (a) to promote an adequate and expanding base of development assistance from the United Nations system, taking into account, inter alia, the development priorities of programme countries; (b) to promote the continuation of the upward trend in real contributions to operational activities for development, to identify obstacles to the achievement of that goal and to make appropriate recommendations in this regard; (c) to promote the predictability and the multi-year pledging of funding for operational activities for development; and (d) to promote an appropriate balance between core and non-core contributions. In paragraph 30 of its resolution 62/208 the Assembly also requested the Secretary-General to submit a report on the follow-up to its request to the Assembly at its sixty-third session.

2. The present report has been prepared in response to the request in paragraph 30 of General Assembly resolution 62/208. It provides a brief overview of current trends in funding for the United Nations development system. It also analyses the major obstacles faced by the United Nations system in securing adequate and predictable resource flows in a changing aid environment.

3. The report addresses three issues: (a) expanding the development assistance base of the United Nations system and promoting an upward trend in real contributions; (b) securing predictability; and (c) ensuring appropriate balance between core and non-core resources. Under each issue, the respective sections provide recent trends and current status, analyse obstacles to improving the situation, and present measures undertaken and proposals for action.

4. The report should be read in conjunction with the report of the Secretary-General on the management process for the implementation of General Assembly resolution 62/208 on the triennial comprehensive policy review of operational activities for development of the United Nations system,[1] and the report of the Secretary-General on comprehensive statistical analysis of the financing of operational activities for development of the United Nations system for 2006.[2]

II. Background

5. The issue of funding for the United Nations must be viewed against the backdrop of global trends in development cooperation. Adequacy of funding for the United Nations system is linked to overall performance in achieving the target of 0.7 per cent of gross national income for official development assistance (ODA). ODA performance generally declined from its 1995 level for the period 1996-2004. It was only in 2005 that total ODA exceeded the percentage level achieved in 1995. This decline has corresponded to a period when the international community, through the major conferences of the 1990s, was putting in place the elements of an

[1] E/2008/49.

[2] A/63/71-E/2008/46.

international partnership for development entailing the provision of more aid to developing countries. It also corresponds to a period when all United Nations organizations have worked to improve the flow of resources to their programmes, and in recent years have continuously emphasized the importance of core resources.

6. Over the past few years, the international community has made renewed efforts to scale up the volume of aid flows as well as to improve aid effectiveness, with a view to addressing global development challenges in achieving the internationally agreed development goals, including the Millennium Development Goals. The efforts continue and during 2008 three events will capture some of the key elements: (a) the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, to be held in Doha in November-December 2008, will review progress in implementing commitments in the six areas of the Monterrey Consensus; (b) a High-level Forum on Aid Effectiveness will be held in Accra in September 2008; and (c) the first Development Cooperation Forum, held on 30 June-1 July 2008 during the high-level segment of the substantive session of the Economic and Social Council, discussed ways of meeting aid commitments and improving their quality.

7. Most donors are not on track to meet their commitments to increase aid and will need to make unprecedented efforts to scale-up to meet their targets. At the end of 2007, ODA from the Organization for Economic Cooperation and Development (OECD)/Development Assistance Committee (DAC) donors stood at $103.7 billion, a drop of 8.4 per cent in real terms since 2006. This represents a decline in the ODA/gross national income ratio from 0.31 per cent to 0.28 per cent. Excluding debt relief grants which contributed to the exceptionally high ODA in 2005 and 2006, the net ODA rose by 2.4 per cent in real terms. Commitments made at the Group of Eight Summit at Gleneagles, Scotland, and the World Summit in 2005 implied increasing aid from $80 billion in 2004 to $130 billion by 2010. But in reality, ODA (excluding debt relief) so far has increased at only half the rate needed to reach the target of $130 billion by 2010.

8. There is a tendency for aid to become slightly less multilateral. Multilateral aid continues to represent around 40 per cent of global flows (and 50 per cent of flows from DAC donors), but around 50 per cent of this funding (including for the United Nations) is earmarked for specific initiatives, sectors or themes. In terms of sectoral distribution, aid has been increasing to social sectors and governance, while aid for economic infrastructure and to the productive sectors has languished.[3]

9. The changes in the international development landscape over the past decade have led to a more complex environment marked by a growing number of donors and channels, including new funds, funding arrangements/mechanisms, philanthropic foundations and public-private partnerships. This evolution has been parallel to the introduction of new forms of funding modalities; direct budget support, sector-wide approaches, new forms of pooled funding at the country level through the decentralization of aid financing decisions to the field and multiplication of global funds are examples of the emerging new aid architecture. This changed environment requires new multi-stakeholder approaches that bring together a range of players (Government, civil society, the private sector, private foundations) with complementary capacities and resources to work towards a shared

[3] See E/2008/69.

goal. While these new partnerships result in wider opportunities, they also require new and effective systems to manage the activities of multiple stakeholders. This also applies to the United Nations system, which interacts with these changes in the overall architecture of development cooperation.

III. Measures to promote an adequate, predictable and expanding base of United Nations development assistance and to promote the continuation of the upward trend in real contributions

A. Development assistance base of the United Nations system

1. Recent trend/current status

10. The upward trend in total contributions received by the United Nations system for operational activities since 2002 came to a halt in 2006. The $17.2 billion received in 2006 represents a decrease of 2.0 per cent in real terms from 2005.[4] The decrease was attributed to a 5.1 per cent decline in non-core resources, which reflected the fact that 2005 was an exceptional year of need due to the twin humanitarian crises (Asian tsunami and South Asian earthquake). Meanwhile, core resources in 2006 saw an increase of 6.3 per cent in real terms since 2005. However, the increase in core resources in 2006 may have also been influenced by significant innovations in the way contributions to core resources have been computed in the United Nations statistics for operational activities for development, reducing past forms of underreporting.

11. While the United Nations system until 2006 had attracted a growing level of total funding, this was mainly as a result of an increase in core or supplementary funding. These trends occurred at a time when important demands were placed upon the United Nations system to assist countries in advancing towards the internationally agreed development goals, including the Millennium Development Goals. The level of resources of the organizations has to be commensurate with the mandates and demands placed upon the system. There is an urgent need for donor countries to increase their funding to the United Nations operational activities, notably through the provision of core resources.

12. Broadening the donor base can also contribute to the enhancement of long-term financial sustainability. At present, heavy reliance on a limited number of donors is more the norm. For example, the top 10 donors to the United Nations Development Programme (UNDP) are estimated to provide close to 80 per cent of the total 2008 regular resources of UNDP. In 2000, the top 10 donors accounted for 86 per cent of total contributions to regular resources.[5]

13. In terms of the total number of countries contributing, the number of Governments contributing to the United Nations Children's Fund (UNICEF)

[4] See A/63/71-E/2008/46.

[5] See DP/2008/24.

resources, for example, has slightly declined in recent years, from 109 in 2005 to 104 in 2006, and 102 in 2007.[6]

14. Meanwhile, contributions of non-DAC member States to the United Nations system have become increasingly important, amounting to a total of $451 million in 2006 (excluding self-supporting contributions), which represent a 104 per cent increase over the $221 million in 2004.[7] Although modest in amount against the overall contributions, it nevertheless is a welcome development. It is worth noting that the United Nations Population Fund (UNFPA) received contributions in 2007 from all countries in sub-Saharan Africa and 41 non-DAC countries submitted multi-year pledges to UNFPA in 2008. Out of the UNFPA 182 donor Governments, 19 OECD/DAC countries and 51 programme countries increased their contributions.

15. The so-called "self-supporting" resources channelled by Governments through United Nations agencies for expenditure in their own country amounted to $1.89 billion in 2006, coming from 154 countries. UNDP (close to $1.4 billion, an increase of 24 per cent over 2005) and the World Food Programme (WFP) received such support quite extensively. One caveat is that these funds may not always represent "fresh" resources, but rather they may represent pass-through contributions from funding originally provided by development banks or bilateral donors.

16. Multi-donor funds or pooled resources are another growing resource for some entities. For UNICEF, these funds are, however, mostly directed to humanitarian responses and post-crisis recovery and include, among other sources, income from various pooled funding mechanisms.[8] As of September 2007, $194 million had come from such sources, already exceeding the 2006 total of $178 million. Funding through this category is expected to grow in coming years, reflecting the funding approach of some major donors towards more pooled funds.

17. Recent years have seen a growth in funding from outside the traditional Government donors, notably private funds that primarily operate in social development areas. Non-governmental and private contributions to the United Nations were at least $1.47 billion in 2006, a sharp increase over 2005.[9] United Nations organizations are scaling up their efforts to mobilize resources from non-government partners. For example, UNICEF has institutionalized arrangements with non-governmental national committees that contribute 40 per cent of its total funding.[10] UNDP is building partnerships with foundations in all regions of the world. Although private funding represents a small share of the total contributions to the United Nations, it could constitute a major resource base at the country level for United Nations organizations with small-scale country programmes.

---

[6] See E/ICEF/2008/10, E/ICEF/2007/9, E/ICEF/2006/11.

[7] See A/63/71-E/2008/46, table 8.

[8] They include grants from the United Nations Office for the Coordination of Humanitarian Affairs, Central Emergency Response Fund ($78 million); multi-donor trust fund contributions for the Sudan, the Democratic Republic of the Congo and Ethiopia ($63.5 million); Iraq trust fund grants ($27 million) and funds from the United Nations Trust Fund for Human Security ($1 million).

[9] See A/63/71-E/2008/46, annex I.

[10] See A/62/73-E/2007/52.

2. Obstacles to promoting the upward trend in real contributions

18. The recent uncertainties in the world economy cast a shadow over further scaling up of funding for the United Nations. The growth of the world economy, which registered a rate of 3.8 per cent in 2007, is expected to decline markedly, to 1.8 and 2.1 per cent in the outlook for 2008 and 2009, respectively.[11] The developed economies are projected to slow down, which could affect total ODA flows in general and contributions to the United Nations in particular.

19. The voluntary nature of the funding of United Nations operational activities makes it vulnerable to cutbacks in times of tight government budgets. Ways ought to be found not to perpetuate the situation whereby the volume of voluntary contributions for the United Nations is decided upon at the tail end of the donors' decision-making process as a function not of the quality or priority of its programmes but of what levels of funds remain unallocated once assessed and negotiated and after other commitments have been taken care of.

20. Concern has been expressed in different United Nations governing bodies that donors may be favouring other channels over the United Nations to achieve common goals. This may be an indication that certain aspects of United Nations operational activities are still perceived as giving less visibility to donor contributions. The complex nature and diversity of the operational work performed by the United Nations contribute to the difficulty in assessing impact, despite efforts to improve results-based management. Hence most donors that have increased their ODA commitments have done so through their bilateral cooperation programmes and selected multilateral organizations, instead of substantially increasing overall funding to the United Nations system. The fifteenth replenishment of the International Development Association will provide $41.6 billion in total, an increase of $9.5 billion over the fourteenth replenishment, which provided $32.1 billion.

21. It is easier for a cause with a visible, direct impact to mobilize assistance. Humanitarian assistance represents the biggest share of overall expenditure of the United Nations development system. It is estimated that it has increased at an average of 15.3 per cent per year during the 11-year period 1993-2003, compared to a much lower and more even paced rate of increase for expenditure for operational activities for development (net of the humanitarian assistance component) of 7.4 per cent per year.[12]

22. New mechanisms, such as multi-donor global funds, have been quite successful in mobilizing resources in the pursuit of specific objectives. Grant-based contributions originating from the private sector and civil society (including charitable foundations, corporations, specialized research institutions and other types of non-governmental organizations) are acquiring growing importance. The growth of global funds does not necessarily mean that those resources are not going to benefit the United Nations system, since some of those resources are channelled through United Nations agencies. Nevertheless, some distortions in planning for United Nations operational activities for development could present a cause for concern. More specifically, the global funds appear to allow less country-level determination of priorities in funding initiatives, whereas if those resources were

[11] World Economic Situation and Prospects, update, as of mid-2008.

[12] See A/60/74-E/2005/57, paras. 56-58.

channelled directly to the United Nations agencies at the country level, greater emphasis would be given to using those resources in delivering country-level programmes on the basis of country priorities.

23. Against this backdrop, funding for bilateral cooperation, for the international financial institutions (particularly the International Development Association), for global funds and for United Nations development cooperation needs to be pursued in a complementary manner.

24. An important aspect to be considered in promoting complementarity is the different criteria used by different organizations. For example, OECD/DAC criteria for categorizing whether individual United Nations entities are eligible to receive ODA monies require applicant entities to show they contribute to national economic development and welfare.[13] Such requirement excludes United Nations programmes that make an important contribution to development at the request of Member States, including the human rights programme. To encourage donor Governments to give more ODA to United Nations programmes, such criteria would need to be reviewed to permit Member States to count contributions to a wider range of United Nations programmes as ODA.

25. The United Nations does not have a global envelope similar to the one that the International Development Association offers to potential donors, with a comprehensive proposed programme document setting overall levels of resources required, criteria for their allocation and any additional policy indications required. This has put the United Nations at a disadvantage in the competition for a critical mass of resources.

26. Changes have been introduced in aid modalities, increasing the use of sector-wide approaches and budget support modalities (general or direct budget support) that significantly affect the way in which development cooperation is programmed, organized, delivered and financed. In both cases, government leadership is enhanced, development cooperation is integrated within a government-led policy, document or strategy and national procedures for disbursement and accountability become applicable to all donors. Donors participate in these new modalities by pooling their financial support in "baskets" that support the overall sector programme or the general budget, moving away from single project funding or area-based programmes, and providing non-earmarked funding consistent with the pursuit of the Millennium Development Goals and other international goals.

27. Although these new aid modalities bring many benefits to strengthening programme delivery and financing, they could affect some United Nations development organizations, particularly if they are not part of the coordination mechanisms. The United Nations system, while being represented at relevant meetings in most countries, has not participated actively in either the provision of direct budget support funding or the alignment and harmonization of its own procedures with those of the donors and programme country Governments. In paragraph 103 of its resolution 62/208, the General Assembly encouraged that the United Nations development system be invited to participate, ex officio, in current and new aid modalities and coordination mechanisms, at the request of the programme country, and invited the United Nations development system to enhance its participation in that regard.

[13] OECD fact sheet, "Is it ODA?", May 2007.

28. Although it is still unclear as to how the new modalities would directly impact the funding of United Nations operational activities, they could affect the planning and delivery of United Nations development cooperation and the funding it would be able to attract, since the impact of its assistance might become harder to demonstrate.

3. Actions taken or planned by the Secretary-General/recommendations

29. The Secretary-General has been consistently sending a strong political message on the need to increase ODA levels. In the lead up to the Group of Eight Summit in Hokkaido, he sent a letter of appeal to all Group of Eight countries urging them to increase ODA. He also sent a letter to all OECD/DAC countries urging them to increase development aid to Africa, in the context of the Millennium Development Goals Africa Steering Group. He has received little feedback in response to these appeals to date. He also regularly appeals to individual Member States to increase their ODA during his bilateral meetings and official visits and will intensify his efforts in this regard.

30. Furthermore, in response to Assembly resolution 62/208, the Secretary-General has asked his Special Adviser on Innovative Financing for Development to take on the additional task of mobilizing political will to provide increased and more predictable funding to United Nations operational work. He has entrusted his two Special Envoys for the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus (Doha review conference) with the same task.

31. The Doha review conference to be held in December 2008 opens the prospect for a new initiative on financing the United Nations system. The Secretary-General intends to appeal to the Member States in the lead-up to Doha to reiterate the importance of increasing the overall level of ODA and of providing adequate resources for the United Nations system to help countries in their efforts to realize the Millennium Development Goals. It will also be stressed that the increase in ODA should be matched with an increase in funding of United Nations operational activities for development.

32. Taking stock of the outcomes of the Doha review conference and taking into account the outcomes of the Accra High-level Forum on Aid Effectiveness, the Secretary-General will consider launching an appropriate initiative to generate consensus around new approaches and initiatives to improve the quality and quantity of financial contributions to the United Nations development system.

33. **The Secretary-General is considering, in this regard, the launching of a good multilateral donorship initiative. Such an initiative could be based on principles of mutual respect, responsibility, transparency and recognition of diverse funding structures and mechanisms within the United Nations system and involve the establishment of benchmarks and criteria similar to those for the Good Humanitarian Donorship** (see box 1 below). The initiative could serve as a guideline for donors in providing effective multilateral aid.

Box 1
Good Humanitarian Donorship initiative

The Good Humanitarian Donorship initiative was launched in Stockholm in 2003 at an international meeting which involved representatives of donor Governments, United Nations agencies, the International Red Cross and Red Crescent Movement and other organizations involved in humanitarian action, followed by further meetings in Ottawa in 2004, New York in 2005, and Geneva in 2006 and 2007. It provides a forum for donors to discuss good practice in humanitarian financing and other shared concerns. By defining principles and standards, it offers both a framework to guide official humanitarian aid and a mechanism for encouraging greater donor accountability.

The 2003 meeting agreed on a set of 23 principles and good practices of humanitarian donorship. These principles now serve as the OECD/DAC reference for its humanitarian work. As of 2007, 24 Governments and the European Commission have agreed to ensure that their humanitarian assistance is provided in line with the principles of Good Humanitarian Donorship.

Since 2003, meetings have been held annually to review progress and decide on priorities for the year ahead.

Activities include the following:

(1) Peer review

Since 2004, the humanitarian aid work of 10 donors has been reviewed as part of the regular peer review process of DAC, with over 100 substantive recommendations. Some donors have used the Good Humanitarian Donorship framework to guide the development of new policies, or to map out their strategies for implementation, through a domestic implementation plan.

(2) Harmonization of reporting

Good Humanitarian Donorship principles have been used to promote the harmonization of reporting by multilateral and international organizations to donors. The development of common reporting formats and the harmonization of management requirements have been negotiated with the key agencies through their respective donor support groups. This helps agencies to reduce their transaction costs, freeing up more resources for operational work.

(3) A forum for debate

Good Humanitarian Donorship has provided a forum for donors to discuss issues of shared concern. For example, they have discussed the development of new financing instruments such as the Central Emergency Response Fund and the Common Humanitarian Fund. More recently, Good Humanitarian Donorship has provided an umbrella under which donors are sharing good practice on approaches to needs-based resource allocation, and on the new "clusters" approach adopted as part of the humanitarian reform efforts.

(4) Country-level experimentation

Two pilots were undertaken in Burundi and the Democratic Republic of the Congo over two years, followed by pilots in the Sudan and the Democratic Republic of the Congo to see how to translate the principles into practice at field level. The results of these pilots were reviewed and key lessons identified. A guidance note is being produced to support and encourage wider field level buy-in to the Good Humanitarian Donorship concept.

(5) Monitoring and evaluation

The Good Humanitarian Donorship initiative has developed a set of indicators that monitor how donors are delivering against some of their core commitments. These indicators can also be adapted for use by individual donor agencies to monitor their own performance, if they wish. An independent expert has been commissioned to establish a baseline and to monitor progress against the baseline. The first report, using data from 2004 and 2005, was available in July 2006.

(6) Piloting new aid modalities

New ways to fund humanitarian assistance are being developed, and existing ones are being refined. These mechanisms aim to ensure that funding is adequate, predictable and flexible. This will lead to faster, more efficient and equitable humanitarian assistance.

34. **Stock could be taken of progress in such an initiative at high-level events on funding for operational activities for development held in conjunction with the high-level segment of the Economic and Social Council, notably its Development Cooperation Forum.** It would give renewed emphasis to the issue of resources, as well as link the consideration of funding issues with the debate on broader development cooperation policies, including the linking of resource mobilization to performance assessment. Such link has been considered to be lacking in the existing annual United Nations Pledging Conference for Development Activities. The high-level event would complement the individual efforts of funds and programmes in resource mobilization and reinforce the political support for results to be achieved over a multi-year period. It would also ensure that a new initiative would fully take into account the distinctive identity and diversity of each United Nations development organization.

35. The Secretary-General has taken note of the latest report of the co-chairs of the informal consultation of the sixty-second session of the General Assembly on system-wide coherence, including the need for the fulfilment of all commitments in relation to funding of the United Nations system and the reaffirmation that inadequate and unpredictable funding contributes to fragmentation, undermining the multilateral character of the United Nations. The Secretary-General, in the context of the United Nations System Chief Executives Board for Coordination (CEB), will strive to promote united efforts by the United Nations system to mobilize funding for operational activities for development and to avoid competition among organizations in this regard. Collaborative approaches to fund-raising by the United

Nations system at the country, regional and global levels have been further explored as a way to build on the programmatic strength of each organization. Strong partnerships with programme country Governments, bilateral donors, and multilateral funds and institutions may contribute to policy dialogue, organizational efficiency and country-level performance.

36. Some organizations have already adopted such an approach and benefited significantly. For example, UNICEF partnerships with international financial institutions were further strengthened and resulted in contributions of $27 million in 2007, which is almost four times the 2006 level. UNDP signed a memorandum of understanding with the Islamic Development Bank, and negotiations to revise collaboration frameworks with the African and Asian Development Banks are in their final stages.

37. In the area of health, the growing number of new initiatives and partnerships have left the global health sector fragmented and without long-term predictable financing to support the underlying health system. Efforts to ensure coordination and accountability have lagged behind. The Secretary-General, supported by the United Nations system health-related organizations, has launched the development of a road map to mobilize resources to (a) address the crisis of human resources in the health sector; (b) accelerate progress on maternal health, including by mobilizing heads of State; and (c) treat and control neglected tropical diseases.

38. Working with the private sector through well-executed partnerships can also help leverage precious resources and maximize the impact achieved in implementing programmes. UNICEF has been successful in strengthening partnership efforts in strategic philanthropy, cause-related marketing initiatives, employee-giving programmes, special events, greeting card sales, and support of awareness campaigns and emergency appeals.

39. WFP is implementing new and innovative ways for significantly expanding private sector partnerships. It launched two new multi-year, multimillion dollar global partnerships to solicit unique skills and donations from corporate partners. Additional donations will be generated through smaller corporations, online donors and a small number of high net worth individuals. A strategy for expanding private sector partnerships is being discussed by the WFP Executive Board.

40. In 2006, 103 UNDP country offices undertook development activities involving the private sector, including over 120 public-private partnership projects in the areas of poverty reduction, environment and energy. Sixty UNDP country offices partnered with civil society organizations and foundations in domains ranging from democratic governance to energy and the environment and poverty reduction. In many instances, foundations provided an important leveraging function that helped mobilize additional partners to support United Nations programming.

41. An Economic and Social Council special event held on 25 February 2008 discussed how corporate philanthropy could contribute to advancing the Millennium Development Goals. Interesting ideas emerged, including a proposal to develop guidelines on partnerships for the United Nations system as a whole. It was also pointed out at the meeting that issues regarding tax rules and regulations needed to be addressed to facilitate the growing resource flow of corporate philanthropy on a global basis. The Secretary-General will take steps to encourage cooperation with

foundations and mobilize funding from the private sector, taking advantage of the next meeting of the Economic and Social Council on philanthropy.

42. As the United Nations system engages with the private sector, it has to be ensured that this new collaboration respects the principles governing the system's work, including those of multilateralism and neutrality.

B. Predictability and multi-year pledging

1. Recent trend/current status

43. The predictability of funding, in general, allows strategic priorities to be linked to funding sources, bringing more focus and consistency to the programmes. Lack of predictability on the other hand leads to increased transaction costs to agencies owing to administrative disruptions and uncertainties in programme funding. Implementation of programmes is restrained and work scheduling complicated in order to align activities with available resources.

44. A number of United Nations system organizations have adopted multi-year funding frameworks to encourage donor Member States to commit resources consistent with and for the entire time frame of a particular framework. However, the predictability of funding remains a problem. To give one example, the number of donors who provide specific payment schedules to UNDP continues to decline: 9 donors in 2007, 11 donors in 2006 and the three preceding years, 14 donors in 2002 and 15 in 2000, many of whom did not pay according to their schedule.[14]

2. Obstacles to securing predictability

45. Growing reliance on voluntary, extrabudgetary and earmarked contributions for funding United Nations operational activities has exacerbated its unpredictability and unreliability. Overall, multi-year funding frameworks have not significantly advanced the predictability of funding. Donors often use the frameworks as a reference for resource mobilization, but continue making shorter-term pledges. This may be because of the perception of donors that the link between performance and multi-year commitments of unearmarked funds may not be strong enough.

46. In general, ODA remains very unpredictable with only 60-65 per cent of aid flows disbursed by donors in the fiscal year for which they are scheduled. The Paris Declaration on Aid Effectiveness specifies a target to halve the proportion of aid not disbursed within the fiscal year for which it was scheduled, by 2010.

47. According to the OECD/DAC survey[15] that reviewed donor practices on forward planning of aid expenditures, while their budgets remain annual, as approved by parliament, most donors operate multi-year programming frameworks, which include information on planned expenditure. The extent to which information is shared with partner countries varies.

---

[14] See DP/2008/24.

[15] OECD Development Assistance Committee, *Scaling Up: Aid Fragmentation, Aid Allocation and Aid Predictability: Report of 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans* (May 2008).

48. The little progress towards predictability arises partially from the prevalent application of conditionalities, which can delay or reduce aid substantially. A substantial amount of aid is still tied to purchases of goods and services in donor countries. Allocating aid on the basis of performance in governance and policies rather than needs and development results is also a popular practice.

3. Actions taken/planned action by the Secretary-General/recommendations

49. The multi-year funding frameworks (or strategic plans) have enabled Member States to monitor the effective use of financial resources by comparing them with the results achieved through planned activities.

50. In some cases, thematic contributions in line with the priorities set out in strategic plans have resulted in increased predictability of non-core resources, which constitute a growing portion of total funding. Thematic funds also involve low administrative costs, simplified annual reporting, greater flexibility, allowing for longer-term planning and more sustainable results. UNICEF, for example, has received a total amount of $1,189 million in thematic funding since 2003. Between 2004, when thematic funds were introduced, and 2006, the ratio of thematic to total contributions grew from 8 per cent to 11 per cent, and the amount of thematic funding more than tripled over the same period (as of 30 September 2007).

51. Ensuring a sustainable funding base for UNFPA is a clearly defined and measurable management output and linked to its accountability framework and oversight policy. The UNFPA strategic plan is comprised of an integrated financial resources framework which shows the planned projected total income of UNFPA for the life of the strategic plan and how these funds are apportioned to the three primary organizational requirements: country programmes, global and regional programmes and the biennial results-based support budget.

52. The One Fund established as part of the "Delivering as One" pilot initiative, takes an innovative approach to raising non-core resources at the country level. It allows donors to fund a strategic plan for a coordinated United Nations response towards the development challenges, while aiming at reducing transactions costs and enhancing flexibility and predictability for implementing agencies. One Fund provides partners with a full and transparent overview of United Nations activities, financing and funding gaps. Some donors have made additional resources available to fund pilot projects and have committed themselves to increasing programme funding through the unearmarked window.[16]

53. However, lessons learned from the 2007 stocktaking exercise indicate that high expectations on funding availability both from the Government and the United Nations system can lead to unrealistic programming. Furthermore, if the existing bilateral funding is used to fund United Nations supported programmes, it would not result in additional resources for the programme countries. For the United Nations agencies, the funding could potentially come at the expense of their core resources if donors chose to channel money through One programmes, rather than directly to agencies. Underfunded, One Fund would make prioritization difficult, inviting the risk of resource mobilization conflicts among agencies. The report of the co-chairs of the informal consultations of the General Assembly on system-wide coherence

[16] United Nations Development Group, "Delivering as One 2007 stocktaking exercise" (27 March 2008).

noted a concern expressed by Member States that those developing countries which chose not to participate in "Delivering as One" should not be deliberately disadvantaged. As the implementation of the One UN funds in the pilot countries is still at a very recent stage, it needs to be carefully monitored and assessed.

C. Balance between core and non-core contributions[17]

1. Recent trend/current status

54. The General Assembly has highlighted the need to enhance the core contributions to the United Nations development system. This was most recently reaffirmed by Assembly resolution 62/208 which stressed that core resources, because of their untied nature, continued to be the bedrock of the operational activities for development of the United Nations system. It noted with concern that the share of core contributions to United Nations funds and programmes had declined in recent years and recognized the need for organizations to address, on a continuous basis, the imbalance between core and non-core resources.

55. The imbalance persists. In 2006, non-core/extrabudgetary resources for operational activities were $12.1 billion as compared to core resources of $5.1 billion. The share of core resources, despite a 2-percentage point increase in 2006 for the first time in five years, still only represents 29.5 per cent of total funding. In fact, the overall downward trend in the share of core resources has remained; in 2002, the core share represented 37.6 per cent of total resources. Non-core resources make up a large portion of total funding because they grew much faster, increasing at an annual rate of 17.4 per cent, compared to an annual rate of 7.1 per cent for core resources in 2002-2006. However, in constant dollars, the increase in non-core funds from 2002-2006 was 9.9 per cent compared to just 0.3 per cent, per year, on average for core funds.[18]

56. The long-term trend over 15 years in financing for three United Nations funds, UNDP, UNICEF and UNFPA, combined shows a steady decline in the share of core contributions from 79.7 per cent in 1991 to only 30.7 per cent of their total contributions in 2006, due to large increases in earmarked funding and modest increases in core funding.[19] However, it should be noted that UNFPA itself has maintained a strong level of core resources at 65 per cent of its total resources.

57. For specialized agencies, assessed/core budgets have stagnated.[20] The share of core/assessed contributions dropped 42.8 per cent in 2002 to 27.4 per cent in 2006. This is because of a large increase in non-core funding (a real growth of 11.1 per cent per annum in 2001-2006) compared to a modest growth in core funding (0.3 per cent per annum), often anchored to a "zero-growth" approach applied to the regular budget of several agencies by the most influential donor countries.

---

[17] Core resources are referred to in some organizations as regular resources. Non-core resources are referred to as supplementary, extrabudgetary or other resources.

[18] See A/63/71-E/2008/46, table 3.

[19] Ibid., table 6.

[20] See ibid., table 11.

58. The trend from 2002 to 2006 reveals that with the exception of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), whose resources are consistently 100 per cent core, patterns on the balance between core and non-core resources vary among individual United Nations organizations. In general, the International Fund for Agricultural Development (IFAD), the Joint United Nations Programme on HIV/AIDS (UNAIDS) and UNFPA have received a high proportion of core resources in the range of 70 to 90 per cent, while the rest of the entities, UNICEF, UNDP, WFP, the regional commissions and the specialized agencies received less than half of their respective budgets as core resources. Of this last group, the share of core resources is roughly 40 per cent for UNICEF, 20 per cent for UNDP and 10 per cent for WFP (though WFP does not have an exact equivalent of core funding in its system of funding).

2. Obstacles to ensuring appropriate balance between core and non-core contributions

59. Approximately 50 per cent of funding for multilateral institutions, including for the United Nations, is earmarked[21] for specific initiatives, sectors and themes. Although earmarked resources represent an important complement to the resource base, the ratio of earmarked to unearmarked resources remains unbalanced, with non-core income growth far outpacing core income growth.

60. The level of core funding inevitably affects the ability of the United Nations system to fulfil its mandate, to play both its operational and normative roles and to deliver effective capacity-building support for development with long-term sustainability. Core funding through regular resources also provides the necessary flexibility for each agency to pursue the overall goals established by the respective governing body on the base of its fundamental mandates. Moreover, it enables the impact of joint programming and pooled funding arrangements among United Nations system agencies to be maximized.

61. The prevailing use of a zero-growth practice in the definition of regular budgets of the specialized agencies has made it impossible to consider using the concept of the assessed budget to negotiate for adequate and increasing levels of resources, which explains why these agencies starting from the early 1990s have been significantly increasing their resource mobilization efforts through ad hoc trust funds (also as a consequence of the significant drop of funding of their country-level activities through UNDP). This explains the exponential growth of extrabudgetary (or non-core) contributions to these agencies, and the creation of new forms of trust funds, some traditionally linked to specific projects or initiatives, others more thematic in their orientation. While thematic funding is less tied than other traditional resource funding, it is a complementary funding modality and should not be substituted for core funding.

62. Despite the improvement in the performance management of United Nations system organizations and their vital role in implementing internationally agreed development goals, including the Millennium Development Goals, increase in the

[21] Although earmarked funding and non-core resources are not synonymous, historically most non-core contributions have been earmarked. In recent years, however, a third category has emerged: non-core resources that are programmed as contributions to the core objectives of the agency, and therefore sufficiently unearmarked.

share of core resources has not followed suit. The following reasons contribute to the persisting imbalance between core vs. non-core resources:

(a) Donors prefer non-core contributions since they do not need to commit to tied multi-year pledges, which may be difficult in times of heavy fiscal deficits;

(b) Donors prefer non-core contributions since they are not always convinced of the efficiency and transparency of United Nations agencies and prefer to maintain direct control over the way resources are spent, instead of leaving them to the management of the agency;

(c) Donors may prefer to pursue their own agenda, different from the United Nations agencies, through non-core contributions, especially if they can define terms of reference, contents, procurement and selection processes, justifying the expression "multi-bi" in many of these contributions;

(d) Non-core contributions are considered as a means to directly channel the contribution of a donor country and its expertise to the betterment of living conditions or other developmental consideration in the country where the United Nations agency operates. This contribution (in the form of access to the private sector, non-governmental organizations, research institutions, public and private institutions and individual experts from the donor countries) is easily translated into support from the donor country to the final user of the United Nations contribution, whereas the use of the core channel may not facilitate the direct link between these bilateral contributions to the final users. However, there is the danger that the non-core contribution would serve as just a way to replace the bilateral initiative.

3. Actions taken or planned by the Secretary-General/recommendations

63. **The General Assembly has stressed that increase in funding, particularly core resources, should correspond to parallel progress in efficiency, effectiveness, coherence and impact in the United Nations development system and its organizations.** On results-based budgeting and building upon earlier efforts in the harmonized format for biennial support budgets, UNDP, UNFPA and UNICEF took significant steps in 2006-2007 to harmonize results-based budgeting for their biennial support budgets. As requested by the Assembly in its resolution 62/208, initiatives undertaken by the United Nations system aim at strengthening results-based planning, budgeting, monitoring and reporting at the country level. An increasing number of United Nations organizations, including specialized agencies, are introducing a results-based management approach in their internal functioning. A common results-based planning, monitoring and reporting system for use at the country level is being introduced on a pilot basis.

64. The United Nations system organizations are introducing significant reforms, but the political will to deliver on the agreed principles regarding the funding of operational activities has been lagging behind.

65. To help mobilize political will, **there should be further reflection on ways to increase the flexibility of the current mechanism to determine assessment contributions in several organizations, for example through alternative modalities inspired by the indicative scale of voluntary contributions or the replenishment type of negotiations applied by the United Nations Environment Programme (UNEP) and IFAD (see box 2 below). Consideration should also be given to the extensive use of overall programming of total resource**

requirements (including both core and non-core resources) notably by major specialized agencies. The Secretary-General, within the context of the Chief Executives Board, will encourage United Nations system organizations to move from ad hoc and fragmented extrabudgetary funding to comprehensive programming of resource mobilization, so that all resources accrued to them for their operational activities are subject to their overall development priorities, building on the existing initiatives in that direction by the United Nations system.

66. Furthermore, after many years of zero growth of budgets in the 1990s, the situation has evolved. **The cost and benefit, as well as the relevance of the zero growth approach, thus deserve fresh consideration. This was recognized by the General Assembly in its resolution 62/208, which invited countries to consider increasing their contributions to the regular budgets of specialized agencies.**

67. The United Nations system is also working towards harmonized approaches with regard to the cost recovery of support to programme implementation in order to avoid using core resources to cover the management of extrabudgetary funds.

68. Building upon harmonized definitions and principles of cost recovery initiated by the Chief Executives Board and its High-level Committee on Management, in 2006 the United Nations Development Group Management Group further harmonized rates for cost recovery for multi-donor trust funds, joint programmes and joint offices. The United Nations Development Group Executive Committee agencies and their respective Executive Boards endorsed a harmonized cost recovery rate of 7 per cent for donor cost-sharing projects, which should facilitate United Nations participation in multi-donor trust funds. Other agencies are making significant progress in the attempt to adjust their own policies on cost recovery, and to introduce some flexibility in order to align them with the conditions agreed upon by the United Nations funds and programmes. In all these cases, however, the principle of full cost recovery still applies.

Box 2

The United Nations Environment Programme voluntary indicative scale of contributions

Apart from a relatively small contribution from the United Nations regular budget, UNEP depends entirely on voluntary support. The Environment Fund is the main source of funding for UNEP activities. However, contributions to the Environment Fund continue to fall short of the mandates provided by the UNEP Governing Council, forcing UNEP to scale down its work programme. In addition to the Environment Fund, earmarked funding for specific UNEP activities is provided through trust funds and earmarked contributions.

Following a decision of the Governing Council in Cartagena in 2002, UNEP launched a pilot phase of the voluntary indicative scale of contributions starting from 2003. The voluntary indicative scale aims at increasing the amount of donor contributions annually. This instrument has broadened the donor base and made contributions more adequate and predictable. The initial result of introducing the voluntary indicative scale is very promising.

In 2008, UNEP established a Resource Mobilization Section. There is now an institutional effort to coordinate efforts for more intensive resource mobilization from both government and non-government sources. The establishment of the Section complements the start of a results-based medium-term strategy moving from project-based to more programmatic resource mobilization.

IV. Conclusion

69. **The funding of the United Nations development cooperation should be addressed as an integral part of the effort to maximize support for developing countries in achieving the United Nations development agenda. As such, country-based, demand-driven approaches, rooted in national priorities, should be advocated to quantify funding requirements.** The neutrality and legitimacy of the United Nations have been critical enabling factors in the evolution of its leadership in and contribution to development. **The comparative advantage and unique characteristics of the operational work of the United Nations system should provide a basis for establishing a funding mechanism that provides sound financial footing for the operational activities. An adequate and expanding funding base must also be accompanied by greater coherence, relevance, impact and effectiveness of the United Nations system, as well as its ability to deliver results.**

70. The Secretary-General has undertaken measures to increase the quantity and quality of financing for operational activities for development. He intends to undertake new actions, notably in the light of the outcomes of the Doha review conference and of the Accra High-level Forum on Aid Effectiveness. He is committed to responding to the call of the General Assembly in resolution 62/208.

71. The United Nations development system organizations are exploring funding modalities that enhance the predictability, long-term stability, reliability and adequacy of funding for the operational activities of the system in order to respond to the evolving needs of programme countries in their pursuit of the internationally agreed development goals.

72. **However, trends in financing the United Nations system, in particular the decline in core resources, are of great concern. The present report has pointed to a number of obstacles to improving the quantity and quality of financing for operational activities for development. Above all, there has to be a strong political will to equip the United Nations system to not only set international agreements and norms but also to support countries in the implementation of these commitments.**